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RUCNSAD/SOUTHERN AF DEVELOPMENT COMMUNITY COLLECTIVE
RUEHUJA/AMEMBASSY ABUJA 2358
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RUEHRL/AMEMBASSY BERLIN 1503
RUEHBY/AMEMBASSY CANBERRA 2337
RUEHDK/AMEMBASSY DAKAR 2704
RUEHKM/AMEMBASSY KAMPALA 3122
RUEHNR/AMEMBASSY NAIROBI 5565
RHEHAAA/NSC WASHDC
RHMFISS/EUCOM POLAD VAIHINGEN GE
RUEHGV/USMISSION GENEVA 2252
RUZEJAA/JAC MOLESWORTH RAF MOLESWORTH UK
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UNCLAS SECTION 01 OF 03 HARARE 000613

AF/S FOR B. WALCH
ADDIS ABABA FOR USAU
ADDIS ABABA FOR ACSS
NSC FOR SENIOR AFRICA DIRECTOR
STATE PASS TO USAID FOR L.DOBBS AND J. HARMON
COMMERCE FOR ROBERT TELCHIN

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SUBJECT: ZIM NOTES 07-24-2009

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1. SUMMARY

Topics of the week:

- Launch of Organ for National Healing, Reconciliation, and Integration...
- Senate Passes Biti's Budget...
- MDC Gets Ambassadors...
- Zaka North MP Convicted...
- Civil Servants Get 50% Raise...
- Foul Play in Death of Manicaland MP?
- AG Tomana Refuses to Budge...
- Zimbabwe: Still Failing...
- Month-on-Month Inflation Rises in June...
- Demutualization of Zimbabwe Stock Exchange (ZSE) Begins...
- Hwange Colliery Company Limited (HCCL) Repairs Dragline...
- Zimbabwe-South Africa Investment Agreement Soon...

On the Political/Social Front

1.2. Launch of Organ for National Healing, Reconciliation, and Integration... President Mugabe, Vice-President Tsvangirai, and Deputy Prime Minister Mutambara, representing their respective parties, addressed the initial public meeting of the Organ which was called for by the Global Political Agreement. The launch is intended to mark the beginning of three days dedicated to national healing as well as a longer process. Civil society organizations boycotted the event as they continue to call for an independent body to investigate human rights abuses and reparations for victims.

1.3. Senate Passes Biti's Budget... The Senate passed the Finance and Appropriations Bills, giving legal credence to Finance Minister Tendai Biti's budget presented last week. The new bills eliminated

the duty on basic commodities, which will hopefully increase production, and raised taxes on tobacco, beer, and wine. In addition, the bills scrapped duties on imported newspapers, telephones, computers, and printers. Econet wireless has already announced reduced cellphone prices reflecting the elimination of the import duty.

¶4. MDC Gets Ambassadors... Hebson Makuvishe, who has been named as one of five new MDC ambassadors, paid a courtesy call on the Chargé on Thursday. A childhood friend of Prime Minister Morgan Tsvangirai, Makuvishe went into exile in London in 2001 and represented the MDC in the UK and with Europe. He returned to Zimbabwe for the first time the day before Tsvangirai's February inauguration and was interrogated at the airport for five hours before being released. Makuvishe will be posted to Germany. MDC-T will also have ambassadorships in Australia, Sudan, and Nigeria; MDC-M's sole ambassadorship will be in Senegal. Makuvishe also confirmed that new governors will assume office on September 1.

¶5. Zaka North MP Convicted... Ernest Mudavanhu (MDC-T) was convicted on July 21 for abusing subsidized farming inputs. Harare magistrate Olivia Mariga sentenced him to two years in prison, with six months suspended for good behavior. Mudavanhu filed an appeal on Thursday. He is the fifth MDC MP convicted of a crime in recent months. This conviction is the latest in an apparent effort to pick off MDC members of parliament in preparation for possible Qoff MDC members of parliament in preparation for possible by-elections that could increase ZANU-PF's numbers in parliament.

¶6. Civil Servants Get 50% Raise... Public Service Minister Eliphas Mukonoweshuro (MDC-T) announced this week that civil servants, who had threatened to strike over low wages, will now receive monthly pay averaging US\$150, up from the US\$100 they have been receiving since February. They will also again receive health insurance.

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Reactions are mixed, with many civil servants and union leaders continuing to clamor for higher wages.

¶7. Foul Play in Death of Manicaland MP? ZANU-PF's MP for Mutare North, Charles Pemhenayi, was buried this week after dying in a car accident on a rural road in mountainous Nyanga on July 17. After initially asserting that foul play was not suspected, police now report that a car sped away when police first arrived on the accident scene to investigate the deadly crash. The MP's wife and son suffered minor injuries in a separate car accident on Tuesday on their way to Pemhenayi's funeral.

¶8. AG Tomana Refuses to Budge... In an interview this week, Attorney General Johannes Tomana reasserted the legitimacy of his appointment as the government's top prosecutor. He made the statements responding to criticism from Finance Minister Tendai Biti and Minister of Information Communication Technology Nelson Chamisa who accused Tomana of being "divisive" for refusing to release the passport of MDC treasurer Roy Bennett. Tomana was appointed by President Robert Mugabe without consultation with Morgan Tsvangirai and Arthur Mutambara as called for by the Global Political Agreement; his presence in the government continues to be a point of contention with the MDC.

¶9. Zimbabwe: Still Failing... In its annual ranking of failed states, Foreign Policy Magazine placed Zimbabwe second, just after Somalia. Zim scored perfect 10s for Human Flight and Economic Decline. The full list is at: http://www.foreignpolicy.com/articles/2009/06/22/2009_failed_states_index_interactive_map_and_rankings.

On the Economic and Business Front

¶10. Month-on-Month Inflation Rises in June... Following five months of deflation since January 2009, the country recorded a month-on-month inflation of 0.6 percent in June primarily due to a rapid increase in prices of non-food products which rose by 1.45 percent. Prices of food and non-alcoholic beverages actually fell

by 1.26 percent in June compared to a decline of just 0.84 percent in May 2009.

¶11. Demutualization of Zimbabwe Stock Exchange (ZSE) Begins... Following the Finance Minister's mid-year fiscal policy review statement on the demutualization of the ZSE, the Chief Executive Officer of the bourse is now busy producing a document outlining the processes to be followed in forming a company. He believes that the ZSE will be demutualized by end of August 2009, thereby unlocking value by allowing more shareholders to invest on the local bourse.

¶12. Hwange Colliery Company Limited (HCCL) Repairs Dragline... According to a report in the Herald (July 23, 2009), HCCL has finished some interim repairs to its dragline but more work still needs to be done to the supporting equipment used together with the dragline in coal mining. All repair works are expected to be completed by the third week of August, paving the way for increased Qcompleted by the third week of August, paving the way for increased coal output at the company.

¶13. Zimbabwe-South Africa Investment Agreement Soon... At a breakfast seminar organized by business to discuss the fiscal review statement, the Minister of Finance assured stakeholders that the long-awaited Bilateral Investment Protection Agreement with South Africa would be concluded within a few weeks. Failure to conclude the agreement has been blamed for the low take-up of investment opportunities in Zimbabwe by South African businesses who expressed concern over guarantees on security of investments during a visit in April 2009.

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Quote of the Week

¶14. "We are slowly liberating ourselves from the era of economic fascism and economic hedonism..... We have a duty to rise above the mediocrity of subjectivities and the sterility of conflict. We have a duty to ignore the long sulk of godfathers. Zimbabwe is too valuable a dream to be squandered." -- Finance Minister Tendai Biti, delivering his mid-term budget statement.

DHANANI